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UNCLAS SECTION 01 OF 03 HARARE 000119

AF/S FOR B. WALCH
ADDIS ABABA FOR USAU
ADDIS ABABA FOR ACSS
NSC FOR SENIOR AFRICA DIRECTOR B.PITTMAN
TREASURY FOR D. PETERS
STATE PASS TO USAID FOR L.DOBINS AND E.LOKEN
COMMERCE FOR ROBERT TELCHIN

SIPDIS

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SUBJECT: ZIM NOTES 02-13-2009

1. SUMMARY

Topics of the week:

- Tsvangirai and Deputies Sworn Into Government...
- Tsvangirai Picks Fill New Ministerial Posts...
- While Mugabe Resorts to the Usual Suspects...
- National Security Council Bill Passed...
- Little Progress for Detainees...
- Cholera on the Decline?...
- White Farmers Report Numerous Summons...
- Update on Arrested USAID Employee...
- Civil Servants Promised US\$100 Vouchers...
- Banking Sector Still Struggling...
- RBZ Staff Ordered to Put Squeeze on Shopkeepers...
- Duty-Free Status On Basic Commodities Extended...
- Keep Sanctions on, Business Leaders Tell Ambassador...
- Poor Outlook for Grain Crops...
- No Diamond Megadeal in Sight...
- Requiem for the Zimbabwe Dollar...

On the Political/Social Front

13. Tsvangirai and Deputies Sworn Into Government... MDC president Morgan Tsvangirai assumed the office of Prime Minister after being sworn in by President Mugabe on February 11. Also sworn in were his deputies Thokozani Khupe of the MDC-T and Arthur Mutambara of the MDC-M. The ceremony was attended by the leaders of South Africa, Mozambique, and Swaziland, AU chairman Jean Ping, former South African president Thabo Mbeki, SADC executive secretary Tomaz Salomao, as well as numerous diplomats and other dignitaries. Following the ceremony, Tsvangirai held a rally attended by an estimated 20,000 MDC-T supporters at a Harare stadium. Among the highlights of his speech was a promise to pay all civil servants,

soldiers, teachers, and health personnel in forex by the end of the month. He also stressed the importance of immediately freeing political detainees and establishing a cooperative relationship with ZANU-PF. See Harare 111.

¶4. Tsvangirai Picks Fill New Ministerial Posts... Morgan Tsvangirai named 14 people to fill the ministerial and deputy ministerial posts he was granted under the power-sharing agreement. His most significant appointments included MDC negotiator and lawyer Tendai Biti as Finance Minister, and Giles Mutsekwa to co-chair the Home Affairs ministry. An interesting development was naming white farmer and long-time ZANU-PF adversary Roy Bennett Deputy Minister of Agriculture. See Harare 107.

¶5. While Mugabe Resorts to the Usual Suspects... Mugabe prepared to reappoint many of the members of his old Cabinet that he referred to last year as "the worst one he has ever had." While he had not yet assigned the individuals to specific ministerial or deputy ministerial posts, the list of 39 people released on February 12 included such ZANU-PF stalwarts as Emmerson Mnangagwa, Nicholas Goche, Dydimus Mutasa, Joseph Made, Sydney Sekeramayi, and David Parirenyatwa. These individuals have been integrally involved in some of the country's most disastrous economic, social, and humanitarian policies. Qhumanitarian policies.

¶6. National Security Council Bill Passed... Parliament passed legislation on February 10 creating a National Security Council (NSC) whose responsibility it will be to review national security policies and "direct appropriate action." The NSC legislation

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passed both the House of Assembly and the Senate easily and awaits President Mugabe's signature before becoming law. The legislation was amended from an earlier draft produced by the MDC-T to include the service chiefs as well as leading government figures. The function of the NSC as stated in the legislation appears to be more oversight-based than operational. Mugabe will chair the council and all decisions will be based on consensus. See Harare 117.

¶7. Little Progress for Detainees... Despite assurances that Tsvangirai would not be inaugurated until political prisoners were released, about 29 remain in custody. Encouragingly, on February 12 three detainees--including Jestina Mukoko--were granted access to medical care at Avenues Clinic, where they remain. On Tsvangirai's first day as Prime Minister, he visited Chikurubi Maximum Security Prison and met with detainees for about 45 minutes. Separately, eight WOZA women and two ZLHR lawyers were arrested on February 10 and held for 48 hours before being released on bail. Three were beaten by an officer; all 10 face charges of disturbing the peace and are due to reappear in court on March 4. See Harare 115.

¶8. Cholera on the Decline?... As of February 12, cholera has caused more than 3,500 deaths out of nearly 73,400 reported cases, according to the UN World Health Organization (WHO). Promisingly, between February 1 and 7, WHO reported a 15 percent decrease in new cholera cases and a 35 percent decrease in cholera deaths compared to the previous week. The decrease in cases and deaths reversed a trend of steady increases in weekly new cholera cases through the end of January. However, WHO noted that the current decreases may result from a lack of reporting from several districts.

¶9. White Farmers Report Numerous Summons... The Commercial Farmers Union (CFU)--a body that represents the interests of the remaining commercial farmers as well as past evicted farmers--reported that approximately 40 white farmers received summons demanding they appear in court for violating orders to vacate their properties. The CFU tells us the Attorney General gave instruction to prosecutors to commence and complete as many land cases as possible before the end of February. The CFU suspects an effort to take as many farms as possible prior to a possible shift in land policy as a result of the new government.

¶10. Update on Arrested USAID Employee... On February 12, USAID driver Frank Muchirahondo--arrested on January 22 on dubious charges of involvement in the attempted assassination of Air Force Chief

Shiri-appeared before the magistrate's court in Bindura. Because the prosecution was not prepared to respond to the defendant's complaints about abuse suffered while in police custody, the court hearing was postponed until February 19. The judge ordered the prosecution to be prepared to address the defendant's complaints on February 19 and to hand over to Frank's lawyer the State's paperwork summarizing charges. The Mission is working with USAID/GC and DOJ to determine how to fund continued legal representation for Frank.

On the Economic and Business Front

¶11. Civil Servants Promised US\$100 Vouchers... Acting Minister of Finance Chinamasa announced February 13 that all civil servants would get vouchers worth US\$100 later this month. He said the vouchers will be securitized, tradable, and redeemable for goods in participating shops or for cash. It conflicts with Tsvangirai's promise to pay civil servants in foreign currency by the end of February. The Bankers' Association of Zimbabwe told us its members will redeem the vouchers at a discount because of uncertainties surrounding the underlying securities, given the dire shortage of foreign currency in the country.

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¶12. Banking Sector Still Struggling... Dollarization has brought some relief to the banking sector, where local currency revenue no longer covered rising foreign currency costs. But problems related to foreign currency shortages, the introduction of statutory reserves on foreign currency accounts, and ceilings on lending rates still undermine profitability at most banks. See Harare 118.

¶13. RBZ Staff Ordered to Put Squeeze on Shopkeepers... An RBZ employee told us that much of the bank's 12,000 staff had been ordered out onto the streets to pressure shopkeepers to buy a license to trade in hard currencies. The mood is grim at the RBZ, where salaries have gone unpaid, CIO presence is pervasive, and the cafeteria is now serving only cabbage and greens.

¶14. Duty-Free Status On Basic Commodities Extended... To augment the supply of goods on the local market, government this week extended duty-free status on most imported basic commodities to June 30, 2009. Prices of most commodities held steady this week, helped by the formation of an inclusive government.

¶15. Keep Sanctions on, Business Leaders Tell Ambassador... At a luncheon hosted by Ambassador McGee this week, heads of the major business associations called on the U.S. to keep sanctions in place to force the new government to implement sensible policies. Ambassador McGee advised the group on the prerequisites for our re-engagement with the GOZ. For their part, the businessmen promised to help set up the checks and balances necessary to avoid the abuse of power by government ever again.

¶16. Poor Outlook for Grain Crops... Zimbabwe's 2008 winter wheat harvest is forecast at the lowest level since independence-38,900 MT, according to the USDA's Zimbabwe Grain and Feed Quarterly Update. The GOZ estimates a maize planting area this season of about 890,000 hectares, with production at last season's low level of 400,000 MT. South Africa dispatched seed and fertilizer worth around R300 million (about US\$32 million), according to the report, mostly arrived past the optimum planting date.

¶17. No Diamond Megadeal in Sight... A megadeal to sell the mineral rights to the disputed diamond deposit near Mutare and quickly fill the GOZ's forex coffers has apparently stalled. See Harare 110.

¶18. Requiem for the Zimbabwe Dollar... The Z\$100 trillion note appeared on the street in very limited circulation this week-it presents a huge problem in making change. In addition, hardly any shops accept the local currency.

Quote of the Week

¶19. "As Prime Minister I make this commitment that, as from the end of this month, our professionals in the civil service, every health worker, teacher, soldier and policeman will receive their pay in foreign currency until we are able to stabilize the economy." -- Morgan Tsvangirai speaking at a MDC rally in Harare following his swearing in on February 11.

¶20. "The job is the worst in the world but I will have to look the job in the eye and I have no doubt that I will be equal to the task and will prevail." -- Tendai Biti referring to his nomination as Minister of Finance on February 11.

DHANANI